Item 2. Properties.

The principal properties of the Company do not lend themselves to simple description by character and location. At December 31, 1991, the Company's investment in plant, property and equipment consists of the following:

Connecting lines	44%
Central office equipment	35
Land and buildings	7
Telephone instruments and related equipment	2
Other	12
	100%

"Connecting lines" consist primarily of aerial cable, underground cable, poles, conduit and wiring. "Central office equipment" consists of switching equipment, transmission equipment and related facilities. "Land and buildings" consist of land owned in fee and improvements thereto, principally central office buildings. "Telephone instruments and related equipment" consist primarily of public telephone terminal equipment and other terminal equipment. "Other" property consists primarily of furniture, office equipment, vehicles and other work equipment, capital leases, leasehold improvements and plant under construction.

The Company's central offices are served by various types of switching equipment. At December 31, the number of local exchanges served by each type of equipment and the percent of subscriber lines served by each are as follows:

	1991		1990	
	Number	% of Subscriber Lines Served	Number	% of Subscriber Lines Served
Electronic	914	100.0%	879	99.9%
Crossbar	-	-	3	0.1
	914	100.0%	882	100.0%

An analysis of the estimated components of the Company's construction program for the last two years is as follows:

	(In Millions) 1991	1990
Network Growth	$272.2	$306.9
Network Modernization	132.7	92.6
Network Support	91.4	87.7
Market Specific	41.3	62.4
Network Replacement	34.6	25.3
Operations Support	29.8	35.1
	602.0	610.0
Allowance for funds used during construction	7.0	6.9
Total construction program	$609.0	$616.9

Item 3. **Legal Proceedings**

Pre-Divestiture Contingent Liabilities

The Plan provides for the recognition and payment by AT&T and the former BOCs (including the Company) of liabilities that are attributable to pre-Divestiture events but do not become certain until after Divestiture. These contingent liabilities relate principally to litigation and other claims with respect to the former Bell System's rates, taxes, contracts, and torts (including business torts, such as alleged violation of the antitrust laws). Except to the extent that affected parties otherwise agree, contingent liabilities that are attributable to pre-Divestiture events are shared by AT&T and the BOCs in accordance with formulas prescribed by the Plan, whether or not an entity was party to the proceeding and regardless of whether an entity was dismissed from the proceeding by virtue of settlement or otherwise. Each company's allocable share of liability under these formulas depends on several factors, including the type of contingent liability involved and each company's relative net investment as of the effective date of Divestiture. Under the formula generally applicable to most of the categories of these contingent liabilities, the Company's aggregate allocable share of liability is approximately 2.8%.

The Company's share of these liabilities to date has not been material to its financial position or results of operations for any period. While complete assurance cannot be given as to the outcome of any contingent liabilities, in the opinion of the Company's management, any monetary liability or financial impact to which the Company is subject as a result of these contingent liabilities is not expected to be material in amount to the financial position of the Company.

Pending Cases

AT&T and various of its subsidiaries and the BOCs (including in some cases the Company) have been parties to various types of litigation, including litigation involving allegations of violations of antitrust laws and equal employment laws. Most of the litigation alleging violations of the antitrust laws has been resolved. However, other matters relating to pre-Divestiture events are still pending. Damages, if any, ultimately awarded in these remaining actions relating to pre-Divestiture events could have a financial impact on the Company whether or not the Company is a defendant since such damages will be treated as contingent liabilities and allocated in accordance with the allocation rules established by the Plan (see "Pre-Divestiture Contingent Liabilities" above).

While complete assurance cannot be given as to the outcome of any litigation, in the opinion of the Company's management, any monetary liability or financial impact to which the Company would be subject after final adjudication of all of the foregoing actions would not be material in amount to the financial position of the Company.

Item 4. Submission of Matters to a Vote of Security Holders (Omitted pursuant to General Instruction J (2)).

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters (Inapplicable).

Item 6. Selected Financial Data (Omitted pursuant to General Instruction J(2)).

Item 7. Management's Discussion and Analysis of Results of Operations. (Abbreviated pursuant to General Instruction J(2

This discussion should be read in conjunction with the Financial Statements and Notes to Financial Statements included in the Index set forth on page F-1.

Net Income

The Company incurred a net loss of $41.6 million principally due to the Company's election to adopt Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (Statement No. 106). In conjunction with this adoption, the Company recorded a one-time, non-cash, after-tax charge of $469.1 million, representing the actuarial liability for postretirement health and life insurance benefits attributable to prior service of retired and active employees. Income before the cumulative effect of the change in accounting principle in 1991, increased $1.6 million or .4% over 1990. The Company's rates of return to average common equity were (1.7)% and 17.8% for the years ended December 31, 1991 and 1990, respectively. The Company's rates of return on average total capital for the years ended December 31, 1991 and 1990 were 2.0% and 13.6%, respectively. The decrease in these rates of return also resulted from the adoption of Statement No. 106.

Operating Revenues

Operating revenues totaled $3,098.6 million in 1991 compared to $3,090.9 million in 1990, an increase of .3%. The components of the increase in total operating revenues are as follows:

	Increase/(Decrease) (In Millions)
Local service	$ 32.4
Network access	(49.2)
Toll service	
-Intrastate	(7.9)
-Interstate	6.7
Directory advertising, billing services and other	
-Rents	23.1
-Intralata toll compensation	9.6
-Billing and collection	(15.4)
-Other	8.4
	$ 7.7

Rates for local service, intrastate network access, intrastate toll service and certain other services are under the regulation of the New Jersey Board of Regulatory Commissioners (BRC)(formerly the New Jersey Board of Public Utilities). Rates for interstate network access and interstate toll service are authorized by the Federal Communications Commission (FCC).

Local service revenues are earned from the provision of local exchange, local private line, and public telephone service. Local service revenues increased 3.1% in comparison to the same period last year. A revenue increase of $22.6 million resulted from continued customer demand for services, such as Custom Calling, Caller ID, touch-tone service, and a variety of other intelligent network features. Also included in 1991 revenue is the recognition of $15.2 million associated with the implementation of 911 enhanced service. This increase was tempered by a $2.5 million reimbursement to customers with the 900 Call Blocking option and a decrease of $2.0 million attributable to lower service usage of directory assistance by business and residence customers. The remaining decrease is attributable to weak local economic conditions. Growth in access lines continues to be adversely affected by the sluggish state economy. Access line gain was approximately 72,000 or 1.5% in 1991 compared to approximately 91,000 or 1.9% during 1990.

Network access revenues are earned from interexchange carriers (IXCs) for the use of the Company's local exchange facilities in providing interstate and intrastate long-distance services to their customers, and from end user subscribers . Switched access revenues are derived from usage based charges paid by IXCs for access to the Company's network. Special access revenues are derived from access charges paid by subscribers who have private lines and end user revenues are earned from local exchange carrier (LEC) customers who pay a flat monthly charge per access line for access to the network.

Effective January 1, 1991, the FCC adopted price cap regulation and lowered the authorized rate of return for interstate access services from 12.0% to 11.25%. Price caps, a form of incentive regulation, limit prices rather than profits. The FCC's price cap plan includes a sharing provision whereby interstate earnings above certain thresholds are shared equally with customers, while earnings above substantially higher thresholds are returned entirely to customers. Sharing occurs in the form of temporary prospective rate decreases. The Company reduced its rates for interstate access services on January 1, 1991 to reflect the lower authorized rate of return. In its first Annual Price Cap Tariff filing, effective July 1, 1991, the Company further reduced its rates. These two rate reductions, net of lower support obligation to the National Exchange Carrier Association pool, reduced 1991 revenues by approximately $14.2 million.

The 5.7% decrease in network access revenues as compared to 1990 is primarily due to a revision in estimates of access revenue liabilities which increased revenue by $15.4 million in 1990. The slowing rate of volume growth in access minutes of use of 1.9% resulted primarily from the weakened local economy. Revenue increases in 1991 related to this volume growth were substantially offset by the above mentioned rate reductions. Also, the net effect of claim settlement activity contributed $8.9 million to the revenue decline.

Toll service revenues are derived from toll messages originating and terminating within the same LATA or from corridor services between northern New Jersey and New York City, and southern New Jersey and Southeastern Pennsylvania. Overall, toll service revenue decreased by .2% in comparison to the same period last year. Intrastate toll revenues decreased by $7.9 million as increased competition in Wide Area Telecommunication Services (WATS) and Message Toll Services (MTS), as well as the stagnant economy continue to impede growth in demand. This decline was partially offset by an increase of $6.7 million in interstate toll revenues, primarily resulting from higher usage of corridor services due to featured advertising and lower rates.

Directory advertising, billing services and other include revenues from the sale of advertising in the Company's telephone directories, revenues from billing and collection services provided to IXCs, premises service revenues from inside wire installation and maintenance plans, rent revenues for the use of the Company's facilities by affiliates and non-affiliates, intraLATA toll compensation and the provision for uncollectibles. For 1991, this revenue category increased $25.7 million or 5.2% over the same period last year. The primary contributors were higher intercompany rents of $23.1 million due to higher rates charged for the use of Company facilities and equipment, and higher intraLATA toll compensation of $9.6 million from certain IXCs as prescribed by regulatory mandate. Additionally, directory advertising increased $2.9 million due to higher rates, while advertising volumes were adversely impacted by the weakened economy and the imposition of a State sales tax which was effective July 1, 1990. Offsetting these increases was a $15.4 million reduction in the revenue associated with renegotiated billing and collection contracts with certain IXCs in 1990 and service takebacks during 1991. The increase in the provision for uncollectibles of $2.7 million in 1991 was primarily a result of the weakened local economy.

Operating expenses

Total operating expenses for the year ended December 31, 1991 decreased $25.3 million or 1.1% compared to the same period last year. The decrease in total operating expenses was comprised of the following:

	Increase/(Decrease) (In Millions)
Employee costs	$ (6.9)
Depreciation and amortization	(76.3)
Other	57.9
	$(25.3)

Employee costs include salaries, wages, commissions, pension and benefit expenses and payroll taxes for employees paid directly by the Company. Similar costs incurred by employees of Bell Atlantic Network Services, Inc. (NSI) are allocated to the Company and are included in other operating expenses. During 1991, Bell Atlantic and the Company offered a retirement incentive program to eligible management employees electing early retirement. Approximately 740 employees retired on December 15, 1991 under this program. As a result of this and other work force reduction initiatives, the Company's average work force for 1991 was 18,000 employees or 2.3% lower than the same period a year earlier.

Employee costs decreased by $6.9 million or .8% in 1991. The effects of a hiring freeze, constraints in overtime, lower accruals for performance awards and workforce reductions contributed to this decline. The effects were partially offset by a 3.4% annual salary and wage increase provided for by the labor contracts covering associate employees, as well as salary progressions for management employees. Benefits expense increased 4.5% in 1991 due primarily to the increases in the costs of providing health care benefits to active and retired employees. This increase included approximately $3.0 million related to the adoption of Statement No. 106. In addition, $1.9 million of special termination costs associated with the retirement incentive program were recorded in 1991. The Company continued to address the adverse effects of health care inflation by implementing certain medical cost containment initiatives in 1991 that were included in the aforementioned labor contracts. Additional cost sharing arrangements affecting management employees retiring after December 31, 1991 were also announced during 1991 in an effort to control future health care cost increases.

Depreciation and amortization expense decreased $76.3 million or 13.1% in 1991. The primary causes of this decrease are the expiration of the intrastate portion of the reserve deficiency amortization and the substantial completion of the station connection amortization in 1990. This decrease was partially offset by higher depreciation expense resulted from year-over-year growth in plant of approximately 3.6% and increased depreciation rates as discussed in the following paragraph.

During May 1991, the Company entered into negotiations with the FCC and the BRC for approval of an increase in its depreciation rates relating to plant and facilities used to provide telecommunication services. On July 19, 1991, the FCC approved an agreement, retroactive to January 1, 1991, which increased depreciation by approximately $17.0 million in 1991. Negotiations with the BRC are continuing and any additional depreciation rate increases have not been approved at this time. Customer rates will not be affected by these proposed changes because of existing local regulatory rate agreements.

Other operating expenses consist primarily of contracted services, including centralized staff costs allocated from NSI, rents, operating taxes other than income taxes, and other general and administrative expenses. Other operating expenses increased $57.9 million or 5.9% in 1991. Operating expenses in 1991 include $11.9 million of restructure related costs associated with the retirement incentive program, and $12.7 million of additional costs allocated to the Company by NSI, as a result of its adoption of Statement No. 106. The remainder of these expenses were higher allocated expenses associated with the Advanced Intelligent Network, information management, integrated marketing efforts and product advertising. Additionally, state and local taxes increased $4.7 million due to increased assessments.

Federal Operating Income Taxes

Federal operating income taxes for the period ended December 31, 1991 increased $17.6 million or 10.7% over the same period last year. This increase was primarily due to the tax impact of the reversal of certain estimated access revenue liabilities, which occurred in 1990. The effective income tax rate for

1991 was 30.1%, compared to 27.6% in 1990. A reconciliation of the statutory federal income tax rates to these effective rates is provided in Note e of Notes to Financial Statements. A discussion of the prospective impact of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," is also included therein.

Interest expense

Interest expense increased $11.2 million or 9.6% over the comparable period in 1990 primarily due to the reversal of accrued interest in 1990 associated with adjustments to estimates of access revenue liabilities and higher capital lease interest due to an increase in leasing activity in 1991. Higher average short-term debt levels during most of 1991 also increased interest expense.

Federal Regulatory Developments

In June 1991, the FCC released a Notice of Proposed Rulemaking (NPRM) which proposes to allow third parties to collocate their equipment in, or very near, telephone company offices to provide special access (private line) services to the public. The FCC's stated purpose for the proposed rulemaking is to encourage greater competition in the provision of interstate special access services. The FCC has tentatively concluded that collocating parties would pay the telephone company an interconnection charge that is lower than the existing tariffed rates for similar non-collocated services. In the same release, the FCC issued a Notice of Inquiry (NOI) asking what policies it should adopt in regard to interstate switched access collocation. Comments and replies to the NPRM and NOI have been filed by Bell Atlantic and others. The FCC has not reached a final decision in either part of the proceeding, nor can the Company predict when such a decision will be made.

If the FCC permits increased competition by allowing collocation, the revenues of the Company would be adversely affected, although some of the lost revenues could be offset by increased demand if, as the local exchange carriers requested in their comments, the FCC provides them with greater pricing flexibility. Collocation for the provision of switched access services would result in greater revenue losses to the Company than would special access collocation. The Company will not be able to estimate the revenue impact of either type of collocation until the conditions of collocation (if any) are determined and announced by the FCC.

Financial Condition

During 1991, the Company generated $670.4 million in cash from operating activities, net of dividends, compared to $568.5 million in 1990. In 1991, the Company invested $609.0 million (net of reused materials and allowance for funds used during construction) in continued expansion and technological improvements to the network, compared to $616.9 million in 1990. Management estimates that 1992 gross capital expenditures will approximate $650.0 million.

As of December 31, 1991, the debt ratio of the Company was 40.7% compared to 37.2% at December 31, 1990. The debt ratio in 1991 was significantly impacted by the equity reduction associated with the adoption of Statement No. 106. Excluding this effect, the 1991 debt ratio would have been 35.9%

At December 31, 1991, the Company had $400.0 million remaining under an outstanding shelf registration which was filed with the Securities and Exchange Commission on June 20, 1991, for the issuance of not more than $400.0 million of intermediate and/or long-term debt securities (see Note b of Notes to Financial Statements).

Management believes that working capital and available credit facilities are adequate to meet normal operating requirements, and that while presently foreseeable capital requirements will continue to be financed primarily through internally generated funds, some additional debt financing may be needed to maintain the Company's capital structure within management's guidelines.

Item 8. Financial Statements and Supplementary Data.

The information required by this Item is set forth on pages F-1 through F-32.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

PART III

Item 10. Directors and Executive Officers of the Registrant (Omitted pursuant to General Instruction J(2)).

Item 11. Executive Compensation (Omitted pursuant to General Instruction J(2)).

Item 12. Security Ownership of Certain Beneficial Owners and Management (Omitted pursuant to General Instruction J(2)).

Item 13. Certain Relationships and Related Transactions (Omitted pursuant to General Instruction J(2)).

PART IV

Item 14. Exhibits, Financial Statements, Financial Statement Schedules, and Reports on Form 8-K.

(a) Documents filed as a part of the report:

(1) Financial Statements

See Index to Financial Statements and Financial Statement Schedules appearing on Page F-1.

(2) Financial Statement Schedules

See Index to Financial Statements and Financial Statement Schedules appearing on Page F-1.

(3) Exhibits

Exhibits identified in parentheses below, on file with the Securities and Exchange Commission (SEC), are incorporated herein by reference as exhibits hereto.

Exhibit Number (Referenced to Item 601 of Regulation S-K)

3a Restated Certificate of Incorporation of the registrant dated September 28, 1989 and filed November 28, 1989. (Exhibit 3a to Company's Annual Report on Form 10-K for year ended December 31, 1989, File No. 1-3488.)

3b By-Laws of the registrant, as amended March 31, 1988. (Exhibit 3b to Form 10-K for 1988, File No. 1-3488.)

4 No instrument which defines the rights of holders of long and intermediate term debt of the registrant is filed herewith pursuant to Regulation S-K, Item 601(b)(4)(iii)(A). Pursuant to this regulation, the registrant hereby agrees to furnish a copy of any such instrument to the SEC upon request.

10a Agreement Concerning Contingent Liabilities, Tax Matters and Termination of Certain Agreements among AT&T, Bell Atlantic, and the Bell Atlantic telephone subsidiaries, and certain other parties, dated as of November 1, 1983. (Exhibit 10h to Bell Atlantic Corporation Annual Report on Form 10-K for the year ended December 31, 1983, referred to hereafter as "Bell Atlantic 1983 Form 10-K".)

10b Agreement among Bell Atlantic Network Services, Inc. and the telephone subsidiaries, dated November 7, 1983. (Exhibit 10i to Bell Atlantic 1983 Form 10-K.)

24 Consent of Coopers & Lybrand.

25 Powers of Attorney.

(b) Reports on Form 8-K:

A report on Form 8-K dated January 13, 1992 was filed reporting on Item 7 (Financial Statements and Exhibits) in connection with the adoption of Statement of Financial Accounting Standards No. 106 (Statement No. 106), "Employers' Accounting for Postretirement Benefits Other Than Pensions".

NEW JERSEY BELL TELEPHONE COMPANY

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NEW JERSEY BELL TELEPHONE COMPANY

By WILLIAM S. FORD, JR.
WILLIAM S. FORD, JR.
VICE PRESIDENT - EXTERNAL AFFAIRS
AND CHIEF FINANCIAL OFFICER

March 26, 1992

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Principal Executive Officer:

James G. Cullen — President and Chief Executive Officer

Principal Accounting and Financial Officer:

William S. Ford, Jr. — Vice President-External Affairs and Chief Financial Officer

Directors:

Brendan T. Byrne
Robert E. Campbell
James G. Cullen
James M. Seabrook
Edward H. Sproat
Anthony P. Terracciano
Edward D. Young, III

By William S. Ford, Jr.
William S. Ford, Jr., as
(Individually and as
attorney-in-fact)
Vice President-External Affairs
and Chief Financial Officer

March 26, 1992

NEW JERSEY BELL TELEPHONE COMPANY

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

Financial statement schedules other than those listed above have been omitted either because the required information is contained in the financial statements and the notes thereto, or because such schedules are not required or applicable.

REPORT OF MANAGEMENT

NEW JERSEY BELL TELEPHONE COMPANY

1991 ANNUAL REPORT

The management of New Jersey Bell Telephone Company is responsible for the financial statements and the information and representations contained in this report. Management believes that the financial statements have been prepared in conformity with generally accepted accounting principles and that the other information in this report is consistent with those statements. Management is required to include in the financial statements amounts primarily related to matters not concluded by year-end, that are based on management's best estimates and judgments.

In meeting its responsibility for the financial statements of the Company, management maintains a strong internal control structure, including the appropriate control environment, accounting systems and control procedures. The internal control structure is designed to provide reasonable assurance that assets are safeguarded from unauthorized use or disposition, that transactions are properly recorded and executed in accordance with management's authorizations, and that the financial records permit the preparation of reliable financial statements. There are, however, inherent limitations that should be recognized in considering the assurances provided by the internal control structure. The concept of reasonable assurance recognizes that the costs of the internal accounting control structure should not exceed the benefits to be derived. The internal control structure is reviewed and evaluated on a regular basis. Compliance is monitored by the internal auditors through an annual plan of internal audits.

The Board of Directors pursues its review and oversight role for these financial statements through an Audit Committee composed of four outside directors. The duties of the Audit Committee include recommending to the Board of Directors the appointment of an independent accounting firm to audit the financial statements of the Company. The Audit Committee meets periodically with management and the Board of Directors. It also meets with representatives of the internal and independent auditors and reviews the work of each to ensure that their respective responsibilities are being carried out and to discuss related matters. Both the internal and independent auditors have direct access to the Audit Committee.

The financial statements of the Company have been audited by Coopers & Lybrand, independent accountants, whose report is included on the following page.

William S. Ford, Jr.
Vice President - External Affairs
and Chief Financial Officer

REPORT OF INDEPENDENT ACCOUNTANTS

TO THE BOARD OF DIRECTORS AND SHAREOWNER
OF NEW JERSEY BELL TELEPHONE COMPANY

We have audited the financial statements and financial statement schedules of New Jersey Bell Telephone Company as listed in the index on page F-1 of this Form 10-K. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Jersey Bell Telephone Company as of December 31, 1991 and 1990, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1991, in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as whole, present fairly, in all material respects, the information required to be included therein.

As discussed in Notes a and f of Notes to the financial statements, the Company changed its method of accounting for postretirement benefits other than pensions in 1991.

Coopers & Lybrand

Parsippany, New Jersey
February 5, 1992

NEW JERSEY BELL TELEPHONE COMPANY

STATEMENTS OF INCOME AND REINVESTED EARNINGS

FOR THE YEARS ENDED DECEMBER 31,

(DOLLARS IN MILLIONS)

	1991	1990	1989
OPERATING REVENUES			
Local service	$1,068.7	$1,036.3	$1,002.3
Network access	818.8	868.0	845.2
Toll service	694.0	695.2	685.0
Directory advertising, billing services and other	548.2	519.8	471.4
Provision for uncollectibles	(31.1)	(28.4)	(18.9
	3,098.6	3,090.9	2,985.0
OPERATING EXPENSES			
Employee costs, including benefits and taxes	808.1	815.0	831.7
Depreciation and amortization	506.0	582.3	557.6
Other	1,045.3	987.4	941.8
	2,359.4	2,384.7	2,331.1
Net operating revenues	739.2	706.2	653.9
FEDERAL OPERATING INCOME TAXES	182.2	164.6	155.8
OPERATING INCOME	557.0	541.6	498.1
OTHER INCOME (EXPENSE)			
Allowance for funds used during construction	7.0	6.9	9.0
Miscellaneous - net	(8.6)	(5.9)	(3.3
	(1.6)	1.0	5.7
INTEREST EXPENSE	127.9	116.7	125.0
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	427.5	425.9	378.8
CUMU[redacted] ACCOUNTING PRI[redacted]			
Tr[redacted] in Acc[redacted]t Benefits Oth[redacted] income tax ben[redacted]...........	(469.1)	-	-
NET INCOME (LOSS)	$ (41.6)	$ 425.9	$ 378.8

The accompanying notes are an integral part of these financial statements.

NEW JERSEY BELL TELEPHONE COMPANY

STATEMENTS OF INCOME AND REINVESTED EARNINGS

FOR THE YEARS ENDED DECEMBER 31,

(DOLLARS IN MILLIONS)

REINVESTED EARNINGS	1991	1990	1989
At beginning of year	$1,056.1	$ 979.5	$ 949.0
Add: Net income (loss)	(41.6)	425.9	378.8
	1,014.5	1,405.4	1,327.8
Deduct: dividends	362.2	349.0	348.0
other changes	.2	.3	.3
At end of year	$ 652.1	$1,056.1	$ 979.5

The accompanying notes are an integral part of these financial statements.

NEW JERSEY BELL TELEPHONE COMPANY

BALANCE SHEETS

AS OF DECEMBER 31,

(DOLLARS IN MILLIONS)

	1991	1990
ASSETS		
CURRENT ASSETS		
Accounts receivable:		
Customers and agents, net of allowances for uncollectibles of $37.1 and $24.5	$ 506.4	$ 502.6
Affiliate	.5	3.3
Other	18.2	19.6
Material and supplies	31.7	40.9
Prepaid expenses	24.3	27.8
Deferred income taxes	29.1	33.9
Deferred charges	110.0	99.9
	720.2	728.0
PLANT, PROPERTY AND EQUIPMENT - at cost		
In service	8,240.9	7,978.8
Under construction and other	150.8	124.1
	8,391.7	8,102.9
Accumulated depreciation	(3,392.4)	(3,238.3)
	4,999.3	4,864.6
DEFERRED CHARGES AND OTHER ASSETS	62.5	78.6
TOTAL ASSETS	$5,782.0	$5,671.2

The accompanying notes are an integral part of these financial statements.

NEW JERSEY BELL TELEPHONE COMPANY

BALANCE SHEETS

AS OF DECEMBER 31,

(DOLLARS IN MILLIONS)

LIABILITIES AND SHAREOWNER'S INVESTMENT	1991	1990
CURRENT LIABILITIES		
Debt maturing within one year:		
Affiliate	$ 57.6	$ 112.2
Other	9.5	3.8
Accounts payable:		
Parent and affiliates	91.4	79.0
Other	362.7	352.8
Accrued expenses:		
Vacation pay	55.1	57.2
Interest	30.1	30.9
Taxes	60.3	21.2
Other	35.0	31.6
Advance billings, customer deposits and other	118.3	119.4
	820.0	808.1
LONG-TERM DEBT	1,331.1	1,326.0
DEFERRED CREDITS		
Deferred income taxes	549.9	829.3
Unamortized investment tax credits	161.5	180.0
Employee benefit obligations	789.2	49.8
Other	97.0	40.7
	1,597.6	1,099.8
COMMITMENTS AND CONTINGENCIES		
SHAREOWNER'S INVESTMENT		
Common stock - one share, without par value, owned by parent	1,381.2	1,381.2
Reinvested earnings	652.1	1,056.1
	2,033.3	2,437.3
TOTAL LIABILITIES AND SHAREOWNER'S INVESTMENT	$5,782.0	$5,671.2

The accompanying notes are an integral part of these financial statements.

NEW JERSEY BELL TELEPHONE COMPANY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,
(DOLLARS IN MILLIONS)

	1991	1990*	1989*
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ (41.6)	$ 425.9	$ 378.8
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	506.0	582.3	557.6
Cumulative effect of change in accounting principle	469.1	-	-
Provision for uncollectibles	31.1	28.4	18.9
Allowance for funds used during construction	(7.0)	(6.9)	(9.0)
Other noncash items, net	10.6	(1.1)	(1.4)
Changes in certain assets and liabilities:			
Accounts receivable increase	(30.7)	(36.0)	(70.5)
Material and supplies (increase) decrease	12.3	(8.8)	12.2
Prepaid expenses (increase) decrease	3.5	5.6	(2.9)
Deferred charges and other	(15.0)	(7.6)	(20.8)
Accounts payable and accrued expenses increase (decrease)	61.9	(45.1)	132.0
Advance billing and customer deposits increase (decrease)	(1.1)	(18.4)	22.0
Deferred income taxes increase (decrease)	(32.9)	(3.1)	8.7
Unamortized investment tax credits decrease	(18.5)	(18.8)	(22.2)
Other liabilities increase (decrease)	84.9	21.1	(30.8)
Net cash provided by operating activities	1,032.6	917.5	972.6
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to plant, property and equipment	(601.4)	(612.4)	(593.5)
Proceeds from sale of plant, property and equipment	(11.5)	.1	(8.1)
Other plant-related changes	6.0	(4.3)	(2.8)
Net cash used in investing activities	(606.9)	(616.6)	(604.4)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Additions to long-term debt	-	-	149.3
Principal repayments of long-term debt and capital lease obligations	(8.8)	(19.6)	(29.0)
Net decrease in short-term debt with original maturities of three months or less	-	-	(107.5)
Additions to other short-term debt	-	-	25.0
Repayments of other short-term debt	-	-	(102.5)
Net (decrease) increase in note payable to affiliate	(54.7)	67.7	44.5
Dividends paid	(362.2)	(349.0)	(348.0)
Net cash used in financing activities	(425.7)	(300.9)	(368.2)
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	-	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-	-	-
CASH AND CASH EQUIVALENTS, END OF YEAR	$ -	$ -	$ -

* Certain items have been reclassified to conform to the 1991 presentation.

NEW JERSEY BELL TELEPHONE COMPANY

NOTES TO FINANCIAL STATEMENTS

a) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The New Jersey Bell Telephone Company (the Company), a wholly-owned subsidiary of Bell Atlantic Corporation (Bell Atlantic), maintains its accounts in accordance with the Uniform System of Accounts (USOA) prescribed by the Federal Communications Commission (FCC) and makes certain adjustments necessary to present the accompanying financial statements in accordance with generally accepted accounting principles applicable to regulated entities. Such principles differ in certain respects from those used by unregulated entities, but are required to appropriately reflect the financial and economic impacts of regulation and the ratemaking process. Significant differences resulting from the application of these principles are disclosed elsewhere in these Notes to Financial Statements where appropriate.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturity of 90 days or less when purchased to be cash equivalents. Cash equivalents are stated at cost, which approximates market value.

The Company makes certain payments by draft and records such drafts as accounts payable until such time as the banks have presented them for payment.

Material and Supplies

New and reusable materials are carried in inventory principally at average original cost, except that specific costs are used in the case of large individual items. Nonreusable material is carried at estimated salvage value.

Plant and Depreciation

The Company's provision for depreciation is based principally on the remaining life method of depreciation and straight-line composite rates. This method provides for the recovery of the remaining net investment in telephone plant, less anticipated net salvage value, over the remaining service lives authorized by federal and state regulatory authorities. Depreciation expense also includes amortization of certain classes of telephone plant and certain identified depreciation reserve deficiencies over periods authorized by regulatory authorities.

When depreciable plant is replaced or retired, the amounts at which such plant has been carried in the plant, property and equipment accounts are removed from the respective accounts and charged to accumulated depreciation, and any gains or losses on disposition are amortized over the remaining service lives of the remaining net investment in telephone plant.

Maintenance and Repairs

The cost of maintenance and repairs of plant, including the cost of replacing minor items not constituting substantial betterments, is charged to operating expense.

a) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Funds Used During Construction

Regulatory authorities allow the Company to record an allowance for funds used during construction, which includes both interest and equity return components, as a cost of plant and as an item of other income. Such income is not recovered in cash currently but will be recoverable over the service life of the plant through higher depreciation expense recognized for regulatory purposes.

Employee Retirement Benefits

Pension Plans

Substantially all employees of the Company are covered under noncontributory multiemployer retirement plans sponsored by Bell Atlantic and its subsidiaries, including the Company. Amounts contributed to the Company's pension plans are actuarially determined under the aggregate cost method, and are subject to applicable federal income tax regulations.

Postretirement Benefits Other Than Pensions

Effective [redacted] Accounting Stan[redacted] Than Pens[redacted] Statement No[redacted] accounting for [redacted] benefits other than [redacted] Under the prescribed [redacted] the Company's obligation [redacted] is to be fu[redacted] by the [redacted] eligibility for such benefit[redacted] to the adoption of [redacted] No. 106, [redacted] cost of [redacted] benefits for [redacted] by [redacted] claims to expense as the[redacted] benefits for current and [redacted] a[redacted] postretirement life [redacted] also recogn[redacted] the [redacted] actuarial method.

The Co[redacted]ciate employees. [redacted] to the trust are determined [redacted] the [redacted] and are limited to [redacted] under Intern[redacted] rules for determining tax-deductible contr[redacted].

The [redacted] amount for life insurance benefits that is dete[redacted] using the aggregate cost actuarial method.

Income Taxes

Bell Atlantic and its domestic subsidiaries, including the Company, file a consolidated federal income tax return. The consolidated income tax currently payable is allocated in accordance with each subsidiary's contribution to consolidated taxable income and tax credits.

a) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred income taxes are generally provided to reflect the effect of timing differences on the recognition of revenue and expense for financial and income tax reporting purposes.

The Tax Reform Act of 1986 repealed the investment tax credit (ITC) as of January 1, 1986, subject to certain transitional rules. Realized ITCs were deferred and are being amortized to income over the estimated service lives of the related assets.

Reclassifications

Certain reclassifications of prior years' data have been made to conform to 1991 classifications.

NEW JERSEY BELL TELEPHONE COMPANY

NOTES TO FINANCIAL STATEMENTS

b) DEBT

Long-Term

Long-term debt consists principally of debentures issued by the Company. Interest rates and maturities of the amounts outstanding at December 31 are as follows:

	Dollars in Millions	
	1991	1990
Thirty-five year 3 7/8%, due 1993	$ 30.0	$ 30.0
Forty year 3 3/8%, due 1995	25.0	25.0
Forty year 4 7/8%, due 2000	20.0	20.0
Forty year 4 5/8%, due 2005	40.0	40.0
Forty year 5 7/8%, due 2006	55.0	55.0
Forty year 6 5/8%, due 2008	50.0	50.0
Forty year 7 1/4%, due 2011	125.0	125.0
Forty year 7 3/8%, due 2012	75.0	75.0
Forty year 7 3/4%, due 2013	150.0	150.0
Forty year 8 1/4%, due 2016	100.0	100.0
Forty year 8%, due 2016	100.0	100.0
Forty year 8 3/4%, due 2018	100.0	100.0
Forty year 9 3/8%, due 2026	300.0	300.0
Forty year 7.85%, due 2029	150.0	150.0
	1,320.0	1,320.0
Capital lease obligations, average rate 10.4% and 10.3%	66.1	56.6
Unamortized discount and premium-net	(45.5)	(46.8)
	1,340.6	1,329.8
Less maturing within one year	9.5	3.8
Total	$1,331.1	$1,326.0

Long-term debt outstanding at December 31, 1991 includes approximately $1,170.0 million which is callable by the Company. The call prices of these debentures range from 107.39% to 100.0% of face value, depending on the remaining life to maturity of the issue. In addition, long-term debt includes approximately $150.0 million which will become redeemable only on November 15, 1999 at the option of the security holder. The redemption prices of these debentures will be 100% of face value plus accrued interest.

As of December 31, 1991, the Company has an outstanding shelf registration which was filed with the Securities and Exchange Commission on June 20, 1991 for the issuance of up to $400.0 million of debt securities.

NEW JERSEY BELL TELEPHONE COMPANY

NOTES TO FINANCIAL STATEMENTS

b) DEBT (Continued)

Debt Maturing Within One Year

Debt maturing within one year consists of the following at December 31:

	Dollars in Millions			Weighted Average Interest Rates		
	1991	1990	1989	1991	1990	1989
Notes payable:						
Affiliate	$ 57.6	$112.2	$ 44.5	5.02%	7.89%	9.48%
Other notes	-	-	.4			
Long-term debt maturing within one year	-	-	15.0			
Capital lease obligations	9.5	3.8	4.2			
Total	$ 67.1	$116.0	$ 64.1			
Average amounts of notes payable outstanding during the year*	$137.5	$ 78.1	$130.2	6.84%	8.16%	9.44%
Maximum amounts of notes payable at any month-end during the year ...	$199.1	$125.5	$194.8			

* Amounts represent average daily face amounts of notes. Weighted average interest rates are computed by dividing such amounts into the aggregate related interest expense.

At December 31, 1991, the Company had an unused line of credit balance of $414.5 million with an affiliate, Bell Atlantic Network Funding Corporation (see Note k).

NEW JERSEY BELL TELEPHONE COMPANY

NOTES TO FINANCIAL STATEMENTS

c) ACCOUNTING FOR RESTRUCTURING AND OTHER CHARGES

In 1991, Bell Atlantic and the Company offered a retirement incentive program to eligible management employees electing early retirement. Approximately 740 managers retired from the Company under this program. As a result, income before cumulative effect of change in accounting principle for 1991 was reduced by $7.9 million for special termination benefits and related restructuring costs. These costs are included as operating expenses in the Statement of Income.

Net income for 1989 was reduced by $17.3 million as a result of costs associated with special severance and enhanced early retirement programs for management employees, and the consolidation of certain Company facilities.

In addition, as a result of labor negotiations completed in 1989, the Company established a retiree health care trust for associate employees. In connection with the establishment of the trust, the Company changed its method of accounting for postretirement health care benefits for these employees from a pay-as-you-go basis to an actuarially determined accrual basis, effective January 1, 1989. This change in accounting reduced net income for 1989 by $22.0 million.